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SIPDIS

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TAGS: [EPET](#) [ENRG](#) [ECON](#) [PREL](#) [RS](#)
SUBJECT: GAZPROM ON TURKMENISTAN PIPELINE EXPLOSION:
"THINGS HAPPEN"

REF: A. ASHGABAT 462
[1](#)B. MOSCOW 854
[1](#)C. MOSCOW 367
[1](#)D. 07 ASHGABAT 1644

Classified By: Ambassador John R. Beyrle for Reasons 1.4 (b/d)

SUMMARY

[1](#)1. (C) On April 13, Gazprom Director of Foreign Relations Ivan Zolotov told us that Gazprom did nothing unusual that could have resulted in the gas pipeline explosion in Turkmenistan. He dismissed Turkmen accusations to the contrary, and said Gazprom had given Turkmenistan sufficient notice of reduced gas intake. The halt in supplies from Turkmenistan, however, comes at a convenient time for Gazprom, which is facing plummeting demand while paying relatively high prices for Turkmen gas. The episode, surrounded with the usual lack of transparency, supports our continued push for consumers to diversify sources, routes, and types of energy supplies. End summary.

"THINGS HAPPEN"

[1](#)2. (SBU) Despite widespread coverage in the press, Gazprom has not officially responded to Turkmen accusations that it was responsible for the April 8 pipeline explosion in Turkmenistan (ref A). The pipeline explosion has reportedly resulted in a virtual halt of gas imports from Turkmenistan and the Turkmen government had publicly blasted Gazprom's "irresponsible and careless" behavior in causing the pipeline damage. According to the official statements issued by the government of Turkmenistan, Gazprom reduced its intake of Turkmen gas by 90% without giving sufficient notice for the Turkmen side to reduce supplies accordingly. This mismatch between output and intake ostensibly caused the pipeline rupture.

[1](#)3. (C) Gazprom Foreign Relations Director Ivan Zolotov told us on April 13 that Gazprom had indeed given the Turkmen adequate notice. He stressed that Gazprom had done "nothing unusual" that could have caused the explosion and that Gazprom's staff had been in contact with their Turkmen counterparts regarding Gazprom's reduced intake. While not specifying the amount by which Gazprom had reduced its imports from Turkmenistan prior to the explosion, Zolotov

maintained that the fluctuation was "within norms for this time of year." Zolotov chalked up the accident to poorly maintained Turkmen infrastructure and noted that gas pipeline explosions are not an uncommon occurrence. He said a Gazprom Deputy CEO, Valery Golubev, had just briefed Deputy Prime Minister Igor Sechin on the situation, using "a stack of documents to basically explain that "things happen."

14. (C) Murat Yazberdiev, Counselor at the Embassy of Turkmenistan, would not comment to us about the situation, and simply referred us to the official statement of the Turkmen MFA, to which he said he has "nothing to add."

CONSPIRACY THEORIES

15. (C) As Alfa Bank Chief Strategist Ron Smith commented to us about this incident, "conspiracy theorists love Russia because it offers so much material." In this case, conspiracy theorists point to a confluence of Russian motivations in causing problems with Turkmenistan. Press reports and analysts suggest the GOR and Gazprom were upset that the recent visit of Turkmen President Berdymuhammedov yielded little concrete progress on the proposed Caspian Littoral Pipeline. According to these same reports, Gazprom and the GOR were also further angered that Turkmenistan had put out an open tender for a West-East pipeline for which a Gazprom subsidiary had expected to receive the contract.

16. (C) Finally, Gazprom has benefited financially from the

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resultant drop-off in Turkmen gas, of which it imports some 40 to 50 bcm annually. Gazprom had committed to paying "market prices" for Turkmen gas this year, but locked in the market price last summer, at levels much higher than would be justified today. Although the exact price is not known (ref D), press and analyst reports have indicated the price to be \$200 to \$230 per thousand cubic meters (mcm). Meanwhile, the price for Russian gas to Europe could drop to \$170 per mcm or less later this year, meaning Russia would take losses on the volumes from Turkmenistan at a time when gas demand is dropping and Gazprom does not need the additional gas (ref B). Given that Gazprom is facing a gas glut, plummeting prices, and financial clouds (refs B and C), the timing of this situation seems, as Smith put it, "convenient."

COMMENT

17. (C) Neither Gazprom nor its Turkmen counterparts are known for transparency. Regardless of blame, however, both the lack of transparency and the event itself should serve as additional support for the need for energy consumers to cultivate and maintain diverse sources, routes, and types of energy supplies. As for Gazprom, we suspect this episode will further damage its already strained reputation as a "reliable energy partner," even if it benefits in the short-term by avoiding imports of relatively expensive Turkmen gas.

BEYRLE